

Message Text

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ACTION ARA-20

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2518

INFO AMCONSUL RIO DE JANEIRO

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PASS TO DEPARTMENT OF COMMERCE - LEON STRAUSS

E.O. 11652: N/A

TAGS: BTRA BGEN BR

SUBJ: VISIT OF COLLINS RADIO REPS

REF: STATE 60305 (REF A); BRASILIA 2072 (REF B)

1. COLLINS RADIO PERSONNEL, W.W. ROODHOUSE, JORGE A LEMGRUBER EMERICK, AND R.C. MULLALEY MET WITH COUNSELOR FOR ECONOMIC AND COMMERCIAL AFFAIRS GOLDSTEIN AT THE EMBASSY ON MARCH 27.

2. REPS STATED COLLINS WAS STILL INTERESTED IN PROCEEDING WITH INVESTMENT PLANS TO ESTABLISH PRODUCTION UNIT IN BRAZIL, BUT FINANCIAL SUCCESS OF FACILITY WOULD DEPEND ON ASSURED ACCESS TO BRAZILIAN INTERNAL MARKET; TO DATE SUCH ASSURANCES HAVE NOT BEEN FORTHCOMING. IN FACT, THERE WERE INDICATIONS THAT GOB MIGHT LIMIT MARKET TO THE FOUR COMPANIES ALREADY PRODUCING HERE.

3. CONSELOR STATED THAT HE HAD HAD RECENT CONVERSATION WITH COMMUNICATIONS MINISTER QUANDT, WHO MADE FOLLOWING MAJOR POINTS: GOB WAS PROCEEDING WITH ITS AMBITIOUS DEVELOPMENT PLANS IN COMMUNICATIONS FIELD; CAPACITY OF PRESENT PLANTS IN BRAZIL WAS FAR SHORT OF REQUIREMENTS; GOVERNMENT POLICY WAS TO USE BRAZILIAN MANUFACTURING UNITS TO CAPACITY AND TO IMPORT ANY SHORT-FALL IN REQUIREMENTS; GOB HAD TWO MAJOR PROBLEMS WITH

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PRODUCERS, HIGH PRICES AND PRODUCTION OF OBSOLESCEENT EQUIPMENT;

ON PRICES, GOVERNMENT HAD REVISED ITS APPROACH ON OPEN BIDDING AND WAS NEGOTIATING DIRECTLY WITH COMPANIES; THIS PROCEDURE HAD RESULTED IN SUBSTANTIAL SAVINGS; ON TECHNOLOGY GOB WAS ITSELF ESTABLISHING RESEARCH UNITS AND URGING COMPANIES TO DO LIKEWISE.

4. COLLINS REPS SAID THEY HAD FELT THEY HAD SIGNIFICANT ADVANTAGE IN TECHNOLOGY SINCE PRESENT BRAZILIAN PRODUCERS INCLUDING ITT, WERE DRAWING THEIR IMPORTED COMPONENTS FROM LESS-ADVANCED EUROPEAN PLANTS. THEY REITERATED, HOWEVER, NECESSITY OF GOVERNMENT ASSURANCES ON BRAZILIAN MARKET.

5. COUNSELOR RESPONDED THAT GOB CAREFULLY EVALUATES SUCH PROJECTS AND WOULD NOT APPROVE ANY PLANT THAT DOES NOT APPEAR TO BE ECONOMICALLY SOUND; MISSION INDICATION REEMPHASIZED BY RECENT APPROACH TO CDI ON BEHALF OF COLLINS (REF B) IS THAT SITUATION IS STILL ENCOURAGING. ANY ASSURANCES ON MARKETING OF THE TYPE SUGGESTED BY COLLINS REPS, HOWEVER, MUST COME FROM GOB. COUNSELOR INDICATED THAT KEY INDIVIDUAL IN THIS AREA WAS MINISTER OF COMMUNICATIONS AND THAT SUCH MARKET ASSURANCES SHOULD COME DIRECTLY FROM HIM.

5. REPS STATED THEY HAD INDEED ATTEMPTED TO SEE THE MINISTER OF COMMUNICATIONS BUT UPON THE MARCH 27 DEATH OF SECGEN OF COMMUNICATIONS MINISTRY, THEIR APPOINTMENT WAS CANCELLED. THEY INDICATED THAT THEY WOULD SEEK ANOTHER APPOINTMENT AT A LATER DATE.

6. COMMENT: GOB POLICY IS TO USE AND ENCOURAGE DOMESTIC PRODUCTION BUT ONLY IF PRICES ARE COMPETITIVE. GOVERNMENT MAY BE RELUCTANT TO GRANT ABSOLUTELY FIRM ASSURANCES ON GROUNDS THAT IT WEAKENS THEIR EFFORTS TO KEEP PRICES LOW AND TO ENCOURAGE TECHNOLOGICAL INNOVATIONS.
CRIMMINS

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